

## Senate Resolution

**No. 1**

**Introduced by Senator Burton**

June 11, 2001

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Senate Resolution No. 1—Relative to the electricity emergency.

1 WHEREAS, The wholesale electricity market in California is  
2 grossly dysfunctional, characterized by the abuse of market power  
3 and the withholding of electricity supply, resulting in unjust and  
4 unreasonable prices for electricity; and

5 WHEREAS, As a result of the state's broken wholesale market,  
6 residential and business consumers have endured the largest single  
7 retail rate increase in the state's history, the state's largest electrical  
8 corporation is bankrupt, and reliable electricity service has been  
9 jeopardized; and

10 WHEREAS, Regulatory jurisdiction to compel and ensure just  
11 and reasonable wholesale prices rests wholly with the Federal  
12 Energy Regulatory Commission (FERC); and

13 WHEREAS, Renowned economists have concluded that  
14 FERC's attempts to mitigate prices in California's wholesale  
15 market have failed to result in protection for California's  
16 consumers; and

17 WHEREAS, State policymakers, including leaders of both  
18 houses of the Legislature and the Governor, have requested the  
19 FERC to impose regional price caps to achieve just and reasonable  
20 prices, the FERC has refused to do so; and

21 WHEREAS, Power produced from powerplants located in  
22 California and sold by the state's electrical corporations to  
23 Texas-based generators and others, are providing power to

1 ratepayers at rates as high as 50 times the rates charged before  
2 divestiture; and

3 WHEREAS, Reports have surfaced in recent days that some  
4 out-of-state generators have charged the citizens of this state  
5 between \$1,900 and \$3,900 per megawatthour for electricity; and

6 WHEREAS, The Treasurer's office has determined that these  
7 facilities could generate a generous profit by pricing that same  
8 power at between \$110 and \$150 a megawatthour; and

9 WHEREAS, Absent action by the FERC to mitigate outrageous  
10 pricing in California's wholesale electricity market, the state,  
11 itself, must use the tools at its disposal to ensure just and reasonable  
12 wholesale pricing; and

13 WHEREAS, These tools include the enactment of a "Windfall  
14 Profits Tax" to discourage price gouging and the seizure of  
15 powerplants through the emergency powers granted to the  
16 Governor pursuant to Section 8572 of the Government Code to  
17 stabilize wholesale prices; and

18 WHEREAS, Section 8572 of the Government Code states, in  
19 part, "the Governor is authorized to commandeer or utilize any  
20 private property or personnel deemed by him necessary in carrying  
21 out the responsibilities hereby vested in him as Chief Executive of  
22 the state"; and

23 WHEREAS, The electricity market emergency that exists in  
24 this state is of a sufficient magnitude to warrant the Governor  
25 utilizing his powers pursuant to Section 8572 of the Government  
26 Code; now, therefore, be it

27 *Resolved by the Senate of the State of California*, That the  
28 Senate supports the Governor utilizing the powers granted to him  
29 pursuant to Section 8572 of the Government Code to commandeer  
30 powerplants or power supply contracts or both for the purpose of  
31 stabilizing wholesale electricity prices and protecting the health  
32 and welfare of the citizens of California; and be it further

33 *Resolved*, That the Secretary of the Senate transmit copies of  
34 this resolution to the author for distribution.

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